



# Webinar Series

EXPORT-IMPORT BANK  
*of the* UNITED STATES

Jobs Through Exports

## Medium and Long Term Financing



# Medium and Long Term Financing Products



- Export Credit Insurance
  - Medium-Term
- Loan Guarantee
  - Medium-Term
  - Long-Term
- Direct Loan
  - Very few for rare cases and mostly Long-Term



# Types of Coverage Available

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- Political Only
- Comprehensive



# Financing Rules for Export Credit Agencies



- Loans and guarantees are constructed around the OECD Arrangement:
  - Amount of cash payment
  - Minimum interest rates (CIRR)
  - Maximum repayment terms
  - Level principal payments
  - Starting point and pattern of repayments
  - Exposure fees



# Standard Finance Model

Net contract price	\$ 1,000,000
Cash payment	<u>(150,000)</u>
Financed portion	\$ 850,000
Exposure fee @ 3%	<u>+25,500</u>
<b>Total financed</b>	<b>\$ <u>875,500</u></b>



# Exposure Fee (for ALL products)



Determined by:

- Country risk
- Percent of cover
- Drawdown period
- Repayment period
- Fee financed
- Timing of fee payment
- General credit risk of the borrower



# Ex-Im Bank Policies



- Foreign content
- Local Costs
- Military
- Used and Refurbished Equipment
- Shipping
- Tied Aid





# Foreign Content



For medium- and long-term financing, Ex-Im Bank will support the following amounts:

- For eligible foreign content up to 15% Ex-Im Bank will support 85% of the contract price
- Greater than 16% foreign content, Ex-Im will support U.S. content only





# Example of Foreign Content

<b>Net Contract Price</b>	<b>\$1,000,000</b>
<b>U.S. Content:</b>	<b>\$750,000</b>
<b>Foreign Content</b>	<b>\$250,000</b>

	<u><b>Case I</b></u>	<u><b>Case II</b></u>
Foreign shipped from:	U.S.	3 <sup>rd</sup> country
Ineligible Foreign Content	-0-	250,000
Net Contract Price	\$1,000,000	\$ 750,000
Lesser of 85% or US Content	\$ 750,000	\$ 637,500
Minimum Cash Payment	<u>250,000</u>	<u>112,500</u>
(plus exposure fee)		



# Local Cost Financing

- Ex-Im can support up to 30% of the US contract value in project-related local costs incurred in the buyer's country, making Ex-Im support even higher
- For MT, application must show that these costs are necessary to the sale, and that there are not adequate capital markets to finance them locally
- With LT transactions and products, local costs are covered without additional justification



# Local Cost Financing--Example

U.S. Export Value

\$1,000,000

Cash payment

150,000

Financed portion

\$ 850,000

Local cost = 30%

of U.S Export Value

\$ 300,000

Total Financed

**\$ 1,150,000**

Total Contract Price

**\$ 1,300,000**



# Military Policy



Ex-Im Bank is prohibited from financing the export of Defense-related articles or services

➤ Three Exceptions:

- Humanitarian purposes
- Drug interdiction
- Dual use items



# Used and Refurbished Equipment



- Eligible on standard or shorter repayment terms
- Original U.S. manufacture
  - 1-yr. rule if previously exported
- Original foreign manufacture
  - Treated as eligible foreign content
  - 50% of production cost maximum
- Refurbishment - normally eligible U.S. content



# Fee Structure For All Lending Products



- Application Fee
- Commitment Fee
- Exposure Fee



# Application Fees



Letter of Interest

\$100

New Final Commitment

\$0

Preliminary Commitment

1/10 of 1% of financed  
portion;\$25,000 cap





# Commitment Fee

## Product

## Rate Per Annum

Direct Loan

1/2 of 1% on  
undisbursed

Guarantee

1/8% “ “

CGF

1/16% flat



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# Medium-Term Financing



# Medium-Term Products



- Export Credit Insurance
- Loan Guarantee
- Direct Loan (few and mostly Long-Term)



# Ex-Im Bank MT Financing Products

## Medium –Term Insurance

- A conditional extension of support issued for a credit made by a lender to a foreign buyer of U.S. capital equipment that is issued as an insurance policy for less than \$10 million and less than 5 years (7 years exceptionally).
  - Can be issued to an Exporter or Lender

## Medium-Term Guarantee

- An unconditional guarantee issued to a lender to support its loan made to a foreign buyer of U.S. capital equipment or related-services for less than \$10 million and less than 5 years (7 years exceptionally)
  - Can only be issued to a Financial Institution

## Direct Loan

- A Loan extended directly from the U.S. Government to a Foreign Borrower. Usually Government to Government Facilities. (Very Few Medium-Term Direct Loans are executed).



# Medium-Term Repayment Periods



## ➤ Repayment terms:

### Contract Price

### Max. Term

Less than \$80,000

2 yrs

\$80,000-less than \$175,000

3 yrs

\$175,000-less than \$350,000

4 yrs

\$350,000 – 10,000,000

5 yrs

\* **Medium-Term for dealers not to exceed 2 yrs. total**



# Medium Term Features

- 100% principal and interest cover for 85% of U.S. contract price
- Negotiated interest rate determined by lender-  
-usually floating, but depends on borrower's  
needs
- Fully transferable; can be securitized
- Available in certain foreign currencies
- Can switch once from floating to fixed rate





# Primary MT Disbursement Documentation

For MT Insurance and Guarantees a Lender must obtain the following to disburse funds:

- Note- Borrower, Guarantor
- Disbursement documentation
  - Invoice
  - Bill of Lading
- Exporter Certificate

In addition, for Guarantees a Lender Must Have:

- Master Guarantee Agreement--Ex-Im Bank and Lender,
  - Annex A (Guarantees only)
- Credit Agreement: Ex-Im Bank, Lender, Borrower (For MT Case by Case Determination)





# Medium-Term: Insurance vs. Guarantees



	Insurance	Guarantees
Conditionality	Yes	None
Fees	None	Commitment
Pricing	Insurance is sometimes cheaper than Guarantees	
\$ Amount	\$10 million max	\$10 million (MT)
Repayment Term	Up to 5 years	Up to 5 yrs., exceptionally 7
Exporter Recourse	Yes	None
Claim Payment	Lump sum or original	Original schedule



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# Long-Term Financing



# Long-Term Products



➤ Loan Guarantees

➤ Direct Loans



# Direct Loan: Parameters

- Loan made by Ex-Im Bank
- 85% of U.S. contract price
- Fixed interest rate (CIRR)
- Exporter paid with disbursement L/C or directly by buyer
- Shipping rules always apply



# Maximum Repayment Term Contract Size



<u>Contract Price</u>	<u>Cat I</u>	<u>Cat II</u>
Up to \$350,000	Up to 4	Up to 4
>\$350m to \$7mm	5	5
>\$7mm to \$11.7mm	5	7
>\$11.7mm to \$25mm	5	8
> \$25mm	5	10



# Loan Guarantee vs. Direct Loan

- Faster documentation process
- Banks assist in transaction
- Promotes cash payment financing
- Floating interest rate usually lower
- No shipping regulations under \$20 million



# Application Processing

## Who Can Apply?

### Type

### Eligible Applicant

MT Insurance

Exporter or Lender

Letter of Interest

Anyone

Preliminary Commitment

Anyone

Final Commitment  
Lender

Borrower or Mandated





# Special Programs and Initiatives

- Sub-Sovereign as the borrower, if they have a favorable credit rating
- More flexible credit standards for medical equipment financing
- Co-financing with other ECAs
- Environmental Exports Enhancements
  - Local cost cover
  - Capitalized interest during construction
  - Maximum allowable repayment terms



# For More Information

**Call the Ex-Im Bank Regional Office near you:**

**New York: 212-809-2650**

**(Northeast / Mid-Atlantic)**

- **Washington D.C.: 202-565-3475**

**Chicago: 312-353-8081**

**(Midwest)**

**Miami: 305-526-7436**

**(Southeast)**

**Houston: 281-721-0465**

**(Southwest)**

**Dallas: 214-551-4959**

**Newport Beach: 949-660-1341**

**(West)**

**San Francisco: 415-705-2285**

**San Diego: 619-557-7091**

**WEBSITE: [www.exim.gov](http://www.exim.gov)**